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DE RUEHDBU #0508/01 1141453  
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FM AMEMBASSY DUSHANBE  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0256  
INFO RUEHDBU/AMEMBASSY DUSHANBE 0504  
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUEHMO/AMEMBASSY MOSCOW 0021  
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 DUSHANBE 000508

SIPDIS

STATE DEPARTMENT FOR SCA/CEN

E.O. 12958: DECL: 4/24/2019  
TAGS: [EAID](#) [ECON](#) [PREL](#) [PGOV](#) [PHUM](#) [TI](#)  
SUBJECT: ZARIFI BLOWS A GASKET OVER AUDIT OF NATIONAL BANK AND U.S.  
NON-SUPPORT FOR INTERNATIONAL MONETARY FUND LOAN, WANTS TO REVIEW THE  
RELATIONSHIP

DUSHANBE 00000508 001.2 OF 003

CLASSIFIED BY: TRACEY A JACOBSON, AMBASSADOR, EXE, DOS.

REASON: 1.4 (b), (d)

¶1. (C) Summary: Staffdel Helwig met with Foreign Minister Zarifi on April 24, to discuss elections, trafficking in persons, freedom of religion, economic reform, Afghanistan, and the work of the OSCE in the region. Zarifi made comments virtually identical to those he made to A/S Boucher on these issues on April 20. However, when the International Monetary Fund audit of the National Bank came up he angrily and at length denounced the United States vote against the Fund's new Poverty Reduction and Growth Facility loan to Tajikistan at the April 21 International Monetary Fund board meeting, dismissed the audit findings as mere rumor, and called the Ambassador for a further meeting on April 27 to review bilateral relations. His comments made clear that he had not read the audit summary and did not understand the importance of the issues involved, but also that we have the Tajik government's attention on this issue. End Summary.

TRAFFICKING IN PERSONS, ELECTIONS, RELIGIOUS FREEDOM

¶2. (C) U.S. Commission on Security and Cooperation in Europe advisors Janice Helwig and Shelley Han raised electoral reform before the 2010 elections, trafficking in persons, the law on religion, and economic reforms with Zarifi. On election, Zarifi said the 2010 elections would be better than previous elections, but would not meet international standards. Tajikistan would work with the OSCE and the International Foundation for Electoral Systems on electoral procedures, but Zarifi did not believe that the legislation required any amendments. On trafficking in persons, Zarifi emphasized President Rahmon's public decrees not to tolerate child labor in the cotton industry, although admitting that implementation was faulty. Ambassador explained the difficulties in our assistance relationship with Tajikistan that would arise if Tajikistan were downgraded to Tier 3 for trafficking in persons, and urged that there be more efforts to investigate and prosecute involvement in trafficking, including officials who forced children to work in the cotton harvest. Zarifi said Tajik Embassies were working to prevent the trafficking of Tajiks to the Middle East and Russia, and he and Ambassador agreed that the Tajik Consul General in Dubai was particularly energetic and effective in this area. On religion, Zarifi said that Tajikistan needed to stop extremism by developing a strong mainstream religious movement, as the country lacked the strong security forces needed to do the job. He believed the majority of Tajik citizens supported the new law on religion.

13. (C) Turning to economic reform, Han asked Zarifi what the government planned to do in response to the results of the International Monetary Fund-ordered audit of the National Bank. Zarifi said that the United States' vote against immediate approval of the International Monetary Fund loan to Tajikistan was an unfriendly act. He dismissed the contents of the audit as "rumors" and said Deputy Prime Minister Alimardon (who, as National Bank Chairman had authored the diversion of hundreds of millions) should enjoy the presumption of innocence until an investigation and legal process had taken place. He asserted that the United States had the wrong information, noting that all other International Monetary Fund board members had voted for the loan. He repeated President Rahmon's argument that the figure of \$800 million misused was impossible in a country with a national budget of only \$1.2 billion.

14. (C) Zarifi emphasized that because of the global economic crisis Tajikistan needed serious financial assistance, because Tajikistan did not have oil or gas like its neighbors and was desperately poor. The people of Tajikistan would not tolerate difficult conditions forever. "Three winters of deprivation" was possible to tolerate, but after a fourth they might rise up and get rid of their government, he said. "Rhetoric" about democracy didn't matter in the face of serious matters like stability in Central Asia, he continued. He dismissed the issue of corruption, saying it existed in every country.

DUSHANBE 00000508 002.2 OF 003

15. (C) Ambassador pointed out to Zarifi that the U.S. statement at the International Monetary Fund board meeting expressed concern about governance at the National Bank of Tajikistan and in the highest levels of the Tajik government, and called for stronger conditions to be established before further International Monetary Fund lending to Tajikistan. It did not rule out further lending. She noted that the National Bank Chairman was now Deputy Prime Minister, calling into question the government's commitment to transparency and accountability. She also pointed out that the "rumors" Zarifi referred to were the findings and observations of a leading international auditing firm, and included details of corruption and obstruction of the audit process that could not be ignored. She added that all the donors were concerned that the Government of Tajikistan had said nothing about the audit results (including in the President's annual address to the parliament on April 15) and had apparently had no reaction to it, and suggested that Zarifi actually read the audit summary before their meeting on April 27.

16. (C) Zarifi said the Prosecutor General had ordered an investigation into the results of the audit, but it would take some time to complete. He repeated several times that Alimardon could be punished if found guilty of a crime. But he also emphasized that the Government of Tajikistan could use foreign assistance funding for whatever purposes it deemed necessary, and this was not a crime, simply the result of the government setting its own priorities. Ambassador asked if that meant that the government might use the just-approved International Monetary Fund \$116 million loan package for any purpose other than those approved in the loan program. Zarifi said yes, the Tajik government could and would do this. He then appeared to reconsider, and said no, the government would follow the program's conditions.

17. (C) Zarifi spoke about the "game" played by Russia and the United States for influence in Central Asia, saying the U.S. vote against International Monetary Fund assistance to Tajikistan would push the Tajiks back to the Russians. He said the United States was in danger of losing Tajikistan through mistakes like this, just as it had lost Kyrgyzstan. He complained at length about the lack of progress on a feasibility study for the Rogun dam project, saying that if the western countries and World Bank dithered for much longer Tajikistan would be forced to accept Russian offers of bilateral financing for the project under Russian ownership. This was a bad option, as it would give Russia complete control in Central Asia -- they could even control downstream countries using control over their irrigation water. However, Tajikistan would have no other choice if it was to survive. Ambassador replied that the United States was playing no game in Central Asia, and wanted Tajikistan to deal with corruption and economic reform issues for its own sake.

#### AFGHANISTAN SHOULD GROW COTTON

18. (C) Zarifi said the situation in northern Afghanistan had improved, but there were serious problems of corruption in the assistance process for Afghanistan. He recounted allegations he had heard while visiting Mazar e Sharif recently that U.S. and other assistance was largely stolen, but said he would not prejudge such "rumors," unlike the way the United States had treated Tajikistan. He praised the Nizhniy Pyanj bridge for helping to greatly increase regional trade, and said Tajikistan supported President Karzai, whom they credited with making possible elections, better education, and reconciliation in Afghanistan. Tajikistan opposed any negotiations with the Taliban, as they could never be trusted. The countries of the region needed to establish a regional infrastructure of cooperation to ensure the stabilization of Afghanistan, for the time when foreign troops went home. The narcotics problem would not go away purely through law enforcement means, but needed economic measures to switch the population to other crops. If the Dostijum dam were built, it would allow irrigation of 1.5 million hectares in Afghanistan, enabling farmers to switch from opium poppy to cotton.

DUSHANBE 00000508 003.2 OF 003

#### RUSSIA AND THE OSCE

19. (C) Zarifi said that Russia and the west were trying to use the OSCE to cross purposes. Russian was focused on regional control, as always, while the west had introduced new ideas of security built on the basis of strong civil society. Small countries in the middle had to find ways to survive between the United States and Russia, and this was a real game for influence. Tajikistan needed the support of the west to resist Russian pressure to agree to Russian control of Rogun. The United States' policy of "playing no (great) game" in Central Asia was impossible, because Russia insisted on playing and the small countries had to survive and feed their people.

#### COMMENT

110. (C) Zarifi was in anger mode, and said to expect a long

conversation on April 27 about the bilateral relationship in general. His comments about the audit of the National Bank showed clearly that he had not actually read the audit summary, and we doubt President Rahmon has either. A/S Boucher's comments to the press, and the U.S. vote against the International Monetary Fund loan to Tajikistan got the Tajik leadership's attention, and perhaps this will inspire the Foreign Minister and the President to read the audit and seriously consider its import for their relations with the donor community. Understanding the audit and finding the will to take action based on it is another story; don't hold your breath.

End Comment.

JACOBSON